



Second Quarter Fiscal Year 2026 Results

January 28, 2026

Satya Nadella
Amy Hood
Jonathan Neilson

This presentation contains forward-looking statements, which are any predictions, projections, or other statements about future events. These statements are based on current expectations and assumptions that are subject to risks and uncertainties. Actual results could materially differ because of factors discussed in today's earnings press release, in the comments made during the conference call, and in the Risk Factors section and other sections of our Form 10-K, Forms 10-Q, and other reports and filings with the Securities and Exchange Commission. We do not undertake any duty to update forward-looking statements.

Agenda

Financial Summary and Highlights

Commercial Highlights

Segment Overview and Highlights

Appendix

FY26 Q2 Financial Summary

(\$ in billions, except per share amounts)	GAAP and CC results			Non-GAAP and CC results		
	FY26 Q2	Growth	CC Growth*	FY26 Q2	Growth**	CC Growth***
Productivity and Business Processes	\$34.1	16%	14%	\$34.1	16%	14%
Intelligent Cloud	\$32.9	29%	28%	\$32.9	29%	28%
More Personal Computing	\$14.3	(3)%	(3)%	\$14.3	(3)%	(3)%
Revenue	\$81.3	17%	15%	\$81.3	17%	15%
Cost of revenue	\$26.0	19%	18%	\$26.0	19%	18%
Gross margin	\$55.3	16%	14%	\$55.3	16%	14%
<i>Gross margin percentage</i>	68%	(1) pt	—	68%	(1) pt	—
Operating expense	\$17.0	5%	4%	\$17.0	5%	4%
Operating income	\$38.3	21%	19%	\$38.3	21%	19%
<i>Operating income percentage</i>	47%	2 pts	—	47%	2 pts	—
Other income and expense	\$10.0	—	—	\$(0.0)	—	—
Net income	\$38.5	60%	57%	\$30.9	23%	21%
Diluted earnings per share	\$5.16	60%	58%	\$4.14	24%	21%

Summary of Results

- Revenue increased 17% (up 15% CC) driven by Intelligent Cloud and Productivity and Business Processes, partially offset by More Personal Computing
- Cost of revenue increased 19% (up 18% CC) driven by growth in Microsoft Cloud
- Gross margin increased 16% (up 14% CC) with growth across all segments. Gross margin percentage decreased slightly driven by continued investments in AI infrastructure and growing AI product usage, partially offset by efficiency gains across the Microsoft Cloud and sales mix shift to higher margin businesses.
- Operating expenses were \$17.0 billion, up 5% (up 4% CC) driven by R&D investments in compute capacity and AI talent, as well as impairment charges in our Gaming business
- Operating income grew 21% (up 19% CC)
- Other income and expense was \$10.0 billion driven by a gain as a result of the OpenAI recapitalization. On a non-GAAP basis, results were \$(0.0) billion as interest income was offset by interest expense, losses on investments and derivatives, and foreign currency remeasurement.
- Effective tax rate was 20% and 19% on a non-GAAP basis
- Diluted earnings per share was \$5.16, up 60% (up 58% CC). On a non-GAAP basis, EPS was \$4.14, up 24% (up 21% CC).

*See Appendix for reconciliation of GAAP and non-GAAP measures, including constant currency ("CC"). **Adjusts for the impact from investments in OpenAI. ***Adjusts for constant currency in addition to the impact from investments in OpenAI.

FY26 Q2 Financial Highlights

Cash Returned to Shareholders

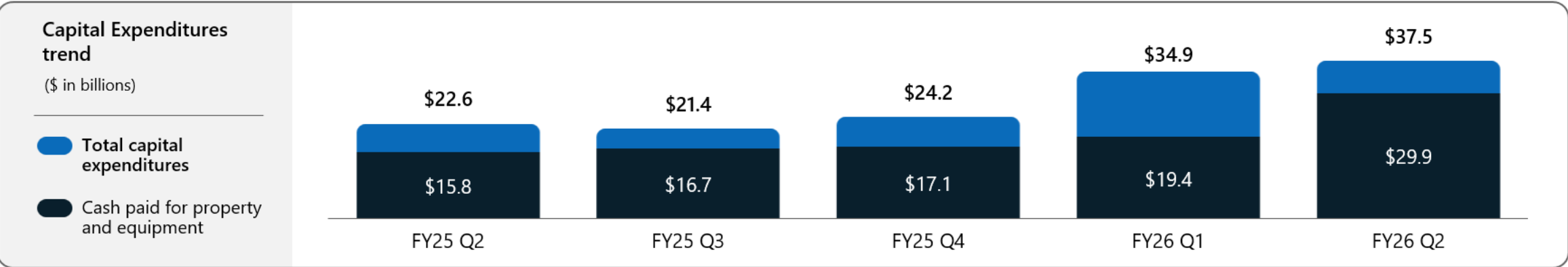
- Returned \$12.7 billion to shareholders, up 32%, with \$6.8 billion in dividends and \$6.0 billion in share repurchases

Capital Expenditures

- Capital expenditures including assets acquired under finance leases were \$37.5 billion, up 66% to support customer demand for our cloud and AI offerings. Roughly two-thirds of capital expenditures were for short-lived assets, primarily GPUs and CPUs, which support Azure platform demand, growing first-party applications and AI solutions, accelerating research and development by our product teams, as well as continued replacement for end-of-life server and networking equipment.
- The remainder of capital expenditures were for long-lived assets which will support monetization over the next 15-year period and beyond. Finance leases, which are primarily for large datacenter sites, were \$6.7B and are recognized at the time of lease commencement.
- Cash paid for property and equipment was \$29.9 billion, up 89%, lower than capital expenditures primarily due to finance leases

Cash Flow

- Cash flow from operations was \$35.8 billion, up 60% driven by strong cloud billings and collections
- Free cash flow was \$5.9 billion, down 9%, reflecting higher capital expenditures to support our cloud and AI offerings



Includes non-GAAP constant currency ("CC") growth and free cash flow. See Appendix for reconciliation of GAAP and non-GAAP measures. Growth rates in GAAP and CC are equivalent unless otherwise noted.

FY26 Q2 Commercial Highlights

Commercial Business

- Commercial bookings increased 230% (up 228% CC) driven by Azure commitments from OpenAI and Anthropic, with healthy growth across our core annuity sales motions
- Commercial remaining performance obligation (RPO) of \$625 billion increased 110% with a weighted average duration of approximately 2.5 years. Roughly 25% will be recognized in revenue in the next 12 months, up 39%. The remaining portion, recognized beyond the next 12 months, increased 156%.
- Roughly 45% of the commercial RPO balance is driven by commitments from OpenAI. The remaining balance from our broad customer base grew 28%, with benefit from the Anthropic commitment.

Microsoft Cloud

- Microsoft Cloud revenue of \$51.5 billion, up 26% (up 24% CC)
- Microsoft Cloud gross margin percentage decreased year-over-year to 67% driven by continued investments in AI infrastructure and growing AI product usage, partially offset by efficiency gains in Azure and Microsoft 365 Commercial cloud

Investor Metrics	FY25 Q2	FY25 Q3	FY25 Q4	FY26 Q1	FY26 Q2
Commercial bookings growth (y/y)	67% / 75%	18% / 17%	37% / 30%	112% / 111%	230% / 228%
Commercial remaining performance obligation (in billions)	\$298	\$315	\$368	\$392	\$625
Microsoft Cloud revenue (in billions)	\$40.9	\$42.4	\$46.7	\$49.1	\$51.5
Microsoft Cloud revenue growth (y/y)	21%	20% / 22%	27% / 25%	26% / 25%	26% / 24%
Microsoft Cloud gross margin percentage	70%	69%	68%	68%	67%

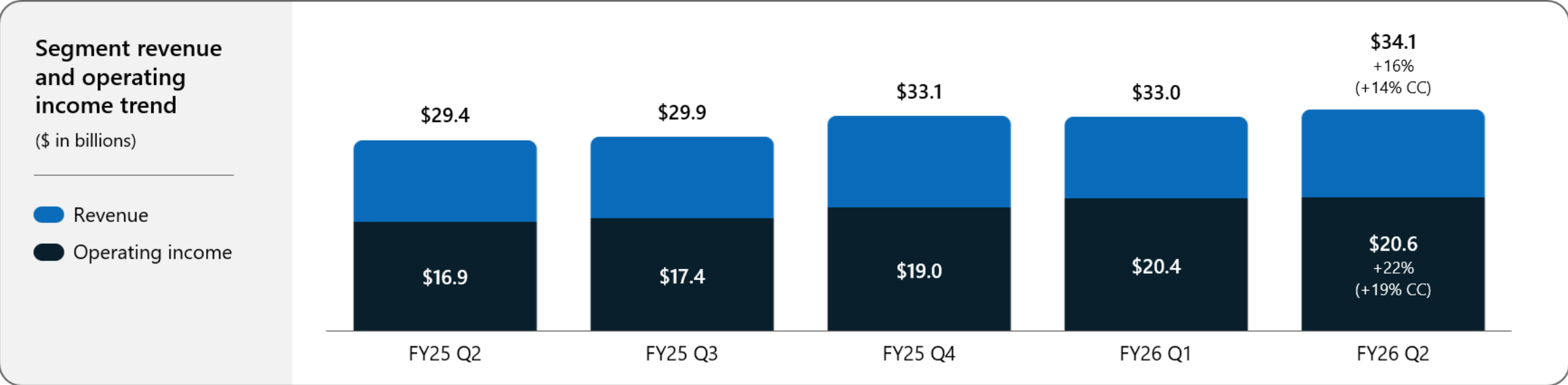
Growth rates include non-GAAP CC growth (GAAP % / CC %).

Microsoft Cloud includes Microsoft 365 Commercial cloud, Azure and other cloud services, the commercial portion of LinkedIn, and Dynamics 365. Includes non-GAAP constant currency ("CC") growth. See Appendix for reconciliation of GAAP and non-GAAP measures. Growth rates in GAAP and CC are equivalent unless otherwise noted.

FY26 Q2 Segment Overview: Productivity and Business Processes

Results

- Revenue grew 16% (up 14% CC) driven by Microsoft 365 Commercial cloud
- Cost of revenue grew 10% (up 9% CC)
- Gross margin dollars grew 17% (up 15% CC) and gross margin percentage increased primarily driven by efficiency gains in Microsoft 365 Commercial cloud even with continued investments in AI infrastructure and growing AI product usage
- Operating expenses grew 6% (up 5% CC) driven by R&D investments in compute capacity and AI talent as well as advertising spend
- Operating income grew 22% (up 19% CC) and operating margins increased driven by operating leverage and higher gross margins



Includes non-GAAP constant currency ("CC") growth. See Appendix for reconciliation of GAAP and non-GAAP measures. Growth rates in GAAP and CC are equivalent unless otherwise noted.

FY26 Q2 Segment Highlights: Productivity and Business Processes

Microsoft 365 Commercial

- Microsoft 365 Commercial cloud revenue grew 17% (up 14% CC) with growth in revenue per user driven by E5 and M365 Copilot. Microsoft 365 Commercial seats grew 6% driven by small and medium business and frontline worker offerings.
- Microsoft 365 Commercial products revenue grew 13% (up 10% CC) driven by the Windows Commercial on-premises components of Microsoft 365 suite sales as well as an increase in Office 2024 transactional purchasing

Microsoft 365 Consumer

- Microsoft 365 Consumer cloud revenue grew 29% (up 27% CC) driven by growth in revenue per user and Microsoft 365 Consumer subscriber growth of 6%

LinkedIn

- LinkedIn revenue grew 11% (up 10% CC) driven by growth in Marketing Solutions

Dynamics

- Dynamics 365 revenue grew 19% (up 17% CC) with growth across all workloads

Investor Metrics	FY25 Q2	FY25 Q3	FY25 Q4	FY26 Q1	FY26 Q2
Microsoft 365 Commercial cloud revenue growth (y/y)	16% / 15%	12% / 15%	18% / 16%	17% / 15%	17% / 14%
Microsoft 365 Commercial seat growth (y/y)	7%	7%	6%	6%	6%
Microsoft 365 Consumer cloud revenue growth (y/y)	8%	10% / 12%	20%	26% / 25%	29% / 27%
LinkedIn revenue growth (y/y)	9%	7% / 8%	9% / 8%	10% / 9%	11% / 10%
Dynamics 365 revenue growth (y/y)	19% / 18%	16% / 18%	23% / 21%	18% / 16%	19% / 17%

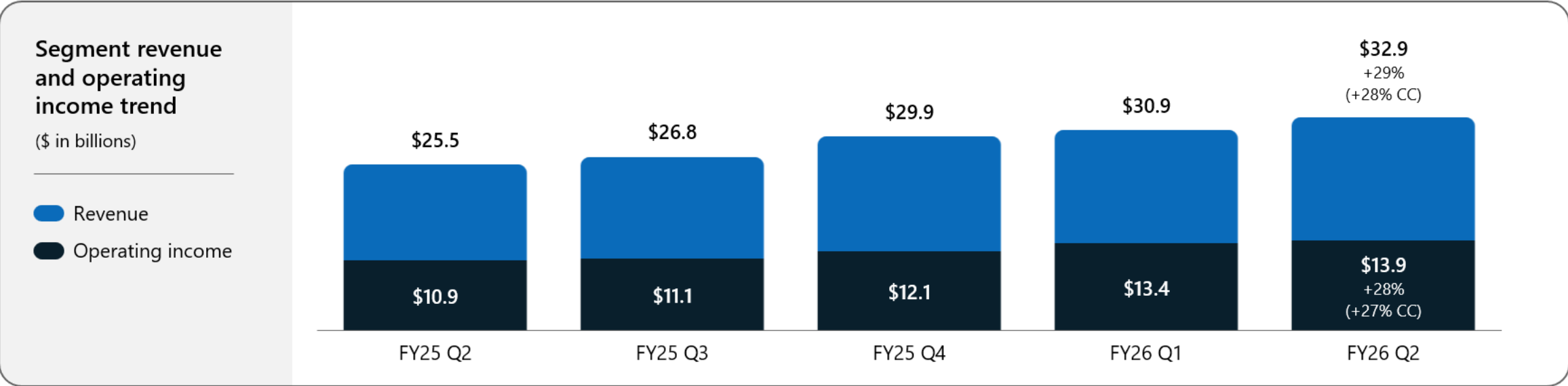
Growth rates include non-GAAP CC growth (GAAP % / CC %).

Includes non-GAAP constant currency ("CC") growth. See Appendix for reconciliation of GAAP and non-GAAP measures. Growth rates in GAAP and CC are equivalent unless otherwise noted.

FY26 Q2 Segment Overview: Intelligent Cloud

Results

- Revenue grew 29% (up 28% CC) driven by Azure
- Cost of revenue grew 44% (up 42% CC)
- Gross margin dollars grew 20% (up 19% CC) and gross margin percentage decreased driven by the continued investments in AI infrastructure and sales mix shift to Azure, partially offset by efficiency gains in Azure
- Operating expenses grew 3% (up 2% CC) driven by R&D investments in compute capacity and AI talent
- Operating income grew 28% (up 27% CC) and operating margins decreased slightly driven by investments in AI that were mostly offset by operating leverage



FY26 Q2 Segment Highlights: Intelligent Cloud

Server Products and Cloud Services

- Azure and other cloud services revenue grew 39% (up 38% CC) driven by strong demand for our portfolio of services with continued growth across all workloads
- Server products revenue grew 2% (up 1% CC) driven by demand for our hybrid solutions, with benefit from the launch of SQL Server 2025, and higher transactional purchasing

Enterprise and Partner Services

- Enterprise and partner services revenue grew 8% (up 7% CC) with growth in Enterprise Support Services

Investor Metrics	FY25 Q2	FY25 Q3	FY25 Q4	FY26 Q1	FY26 Q2
Azure and other cloud services revenue growth (y/y)	31%	33% / 35%	39%	40% / 39%	39% / 38%

Trended Revenue Growth

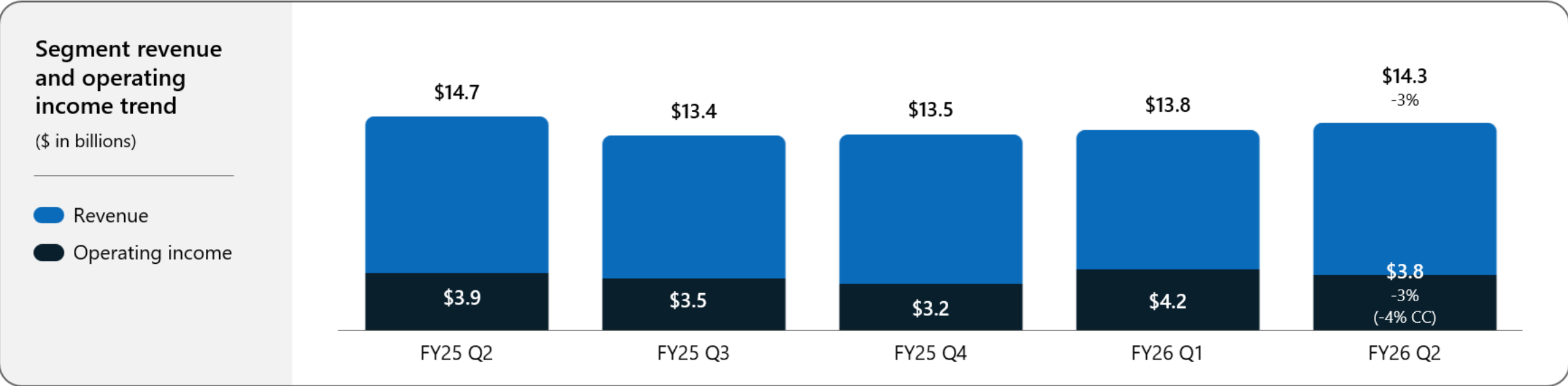
Server products revenue growth (y/y)	(3)%	(6)% / (4)%	(2)% / (3)%	1% / 0%	2% / 1%
Enterprise and partner services revenue growth (y/y)	(1)%	5% / 6%	7% / 6%	5% / 3%	8% / 7%

Growth rates include non-GAAP CC growth (GAAP % / CC %).

FY26 Q2 Segment Overview: More Personal Computing

Results

- Revenue declined 3% driven by Gaming, partially offset by Search and news advertising as well as Windows OEM
- Cost of revenue declined 8% driven by lower hardware sales
- Gross margin dollars grew 2% (increased 1% CC) and gross margin percentage increased driven by sales mix shift to higher margin businesses
- Operating expenses grew 6% (up 5% CC) driven by impairment charges in our Gaming business as well as R&D investments in compute capacity and AI talent
- Operating income declined 3% (down 4% CC) and operating margins were relatively unchanged as higher operating expenses were mostly offset by higher gross margins



FY26 Q2 Segment Highlights: More Personal Computing

Windows OEM and Devices

- Windows OEM and Devices revenue grew 1% (relatively unchanged in CC) driven by Windows OEM growth of 5% with continued benefit from Windows 10 end of support and inventory levels that remained elevated, partially offset by a decline in Devices

Gaming

- Xbox content and services revenue declined 5% (down 6% CC) on a prior year comparable that benefited from strong first-party content performance
- Xbox hardware revenue declined 32%

Search and News Advertising

- Search and news advertising revenue excluding traffic acquisition costs grew 10% (up 9% CC) driven by higher search volume and continued benefit from third-party partnerships

Investor Metrics	FY25 Q2	FY25 Q3	FY25 Q4	FY26 Q1	FY26 Q2
Windows OEM and Devices revenue growth (y/y)	4%	3%	3%	6%	1% / 0%
Xbox content and services revenue growth (y/y)	2%	8% / 9%	13% / 12%	1% / 0%	(5)% / (6)%
Search and news advertising revenue (ex TAC) growth (y/y)	21% / 20%	21% / 23%	21% / 20%	16% / 15%	10% / 9%

Growth rates include non-GAAP CC growth (GAAP % / CC %).

Appendix

Reconciliation of GAAP and Non-GAAP Financial Measures

Our presentation of second-quarter performance includes non-GAAP financial measures.

The following slides provide reconciliations between the GAAP and non-GAAP financial measures presented:

- Impact from investments in OpenAI
- Constant currency reconciliations
- Cash flow reconciliation

Impact from investments in OpenAI

Three Months Ended December 31,

(\$ in millions, except per share amounts)	Other Income and Expense	Effective Tax Rate	Net Income	Diluted Earnings per Share
2024 As Reported (GAAP)	\$(2,288)	18%	\$24,108	\$3.23
Impact from investments in OpenAI	\$1,236	0 pts	\$939	\$0.12
2024 As Adjusted (non-GAAP)	\$(1,052)	18%	\$25,047	\$3.35
2025 As Reported (GAAP)	\$9,971	20%	\$38,458	\$5.16
Impact from investments in OpenAI	\$(9,978)	(1) pt	\$(7,583)	\$(1.02)
2025 As Adjusted (non-GAAP)	\$(7)	19%	\$30,875	\$4.14
Percentage Change Y/Y (GAAP)	—	2 pts	60%	60%
Percentage Change Y/Y Constant Currency	—	—	57%	58%
Percentage Change Y/Y (non-GAAP)	—	1 pt	23%	24%
Percentage Change Y/Y (non-GAAP) Constant Currency	—	—	21%	21%

The non-GAAP measures adjust for the impact from investments in OpenAI. We believe these non-GAAP measures aid investors by providing additional insight into our operational performance and help clarify trends affecting our business. For comparability of reporting, management considers non-GAAP measures in conjunction with GAAP financial results in evaluating business performance. The non-GAAP financial measures should not be considered as a substitute for, or superior to, the measures of financial performance prepared in accordance with GAAP.

Constant Currency Reconciliation

Three Months Ended December 31,

(\$ in millions, except per share amounts)	Revenue	Cost of Revenue	Gross Margin	Operating Expenses	Operating Income	Net Income	Diluted Earnings per Share
2024 As Reported (GAAP)	\$69,632	\$21,799	\$47,833	\$16,180	\$31,653	\$24,108	\$3.23
2024 As Adjusted (non-GAAP)	\$69,632	\$21,799	\$47,833	\$16,180	\$31,653	\$25,047	\$3.35
2025 As Reported (GAAP)	\$81,273	\$25,978	\$55,295	\$17,020	\$38,275	\$38,458	\$5.16
2025 As Adjusted (non-GAAP)	\$81,273	\$25,978	\$55,295	\$17,020	\$38,275	\$30,875	\$4.14
Percentage Change Y/Y (GAAP)	17%	19%	16%	5%	21%	60%	60%
Percentage Change Y/Y (non-GAAP)	17%	19%	16%	5%	21%	23%	24%
Constant Currency Impact	\$972	\$235	\$737	\$141	\$596	\$558	\$0.07
Percentage Change Y/Y Constant Currency	15%	18%	14%	4%	19%	57%	58%
Percentage Change Y/Y (non-GAAP) Constant Currency	15%	18%	14%	4%	19%	21%	21%

We present constant currency information to provide a framework for assessing how our underlying businesses performed excluding the effect of foreign currency rate fluctuations. To present this information, current and comparative prior period results for entities reporting in currencies other than United States dollars are converted into United States dollars using the average exchange rates from the comparative period rather than the actual exchange rates in effect during the respective periods. The non-GAAP financial measures presented should not be considered as a substitute for, or superior to, the measures of financial performance prepared in accordance with GAAP. All growth comparisons relate to the corresponding period in the last fiscal year.

Constant Currency Reconciliation

Segment Revenue

Three Months Ended December 31,

(\$ in millions)	Productivity and Business Processes	Intelligent Cloud	More Personal Computing
2024 As Reported (GAAP)	\$29,437	\$25,544	\$14,651
2025 As Reported (GAAP)	\$34,116	\$32,907	\$14,250
Percentage Change Y/Y (GAAP)	16%	29%	(3)%
Constant Currency Impact	\$580	\$292	\$100
Percentage Change Y/Y Constant Currency	14%	28%	(3)%

We present constant currency information to provide a framework for assessing how our underlying businesses performed excluding the effect of foreign currency rate fluctuations. To present this information, current and comparative prior period results for entities reporting in currencies other than United States dollars are converted into United States dollars using the average exchange rates from the comparative period rather than the actual exchange rates in effect during the respective periods. The non-GAAP financial measures presented should not be considered as a substitute for, or superior to, the measures of financial performance prepared in accordance with GAAP. All growth comparisons relate to the corresponding period in the last fiscal year.

Constant Currency Reconciliation

Segment Cost of Revenue

Three Months Ended December 31, 2025

	Percentage Change Y/Y (GAAP)	Constant Currency Impact	Percentage Change Y/Y Constant Currency
Productivity and Business Processes	10%	(1)%	9%
Intelligent Cloud	44%	(2)%	42%
More Personal Computing	(8)%	0%	(8)%

Segment Gross Margin

Three Months Ended December 31, 2025

	Percentage Change Y/Y (GAAP)	Constant Currency Impact	Percentage Change Y/Y Constant Currency
Productivity and Business Processes	17%	(2)%	15%
Intelligent Cloud	20%	(1)%	19%
More Personal Computing	2%	(1)%	1%

We present constant currency information to provide a framework for assessing how our underlying businesses performed excluding the effect of foreign currency rate fluctuations. To present this information, current and comparative prior period results for entities reporting in currencies other than United States dollars are converted into United States dollars using the average exchange rates from the comparative period rather than the actual exchange rates in effect during the respective periods. The non-GAAP financial measures presented should not be considered as a substitute for, or superior to, the measures of financial performance prepared in accordance with GAAP. All growth comparisons relate to the corresponding period in the last fiscal year.

Constant Currency Reconciliation

Segment Operating Expense

Three Months Ended December 31, 2025

	Percentage Change Y/Y (GAAP)	Constant Currency Impact	Percentage Change Y/Y Constant Currency
Productivity and Business Processes	6%	(1)%	5%
Intelligent Cloud	3%	(1)%	2%
More Personal Computing	6%	(1)%	5%

Segment Operating Income

Three Months Ended December 31, 2025

	Percentage Change Y/Y (GAAP)	Constant Currency Impact	Percentage Change Y/Y Constant Currency
Productivity and Business Processes	22%	(3)%	19%
Intelligent Cloud	28%	(1)%	27%
More Personal Computing	(3)%	(1)%	(4)%

We present constant currency information to provide a framework for assessing how our underlying businesses performed excluding the effect of foreign currency rate fluctuations. To present this information, current and comparative prior period results for entities reporting in currencies other than United States dollars are converted into United States dollars using the average exchange rates from the comparative period rather than the actual exchange rates in effect during the respective periods. The non-GAAP financial measures presented should not be considered as a substitute for, or superior to, the measures of financial performance prepared in accordance with GAAP. All growth comparisons relate to the corresponding period in the last fiscal year.

Constant Currency Reconciliation

Selected Product and Service Information

Three Months Ended December 31, 2025

	Percentage Change Y/Y (GAAP)	Constant Currency Impact	Percentage Change Y/Y Constant Currency
Commercial bookings	230%	(2)%	228%
Commercial remaining performance obligation	110%	0%	110%
Microsoft Cloud revenue	26%	(2)%	24%
Microsoft 365 Commercial cloud revenue	17%	(3)%	14%
Microsoft 365 Commercial products revenue	13%	(3)%	10%
Microsoft 365 Consumer cloud revenue	29%	(2)%	27%
LinkedIn revenue	11%	(1)%	10%
Dynamics 365 revenue	19%	(2)%	17%
Azure and other cloud services revenue	39%	(1)%	38%
Server products revenue	2%	(1)%	1%
Enterprise and partner services revenue	8%	(1)%	7%
Windows OEM and Devices revenue	1%	(1)%	0%
Xbox content and services revenue	(5)%	(1)%	(6)%
Xbox hardware revenue	(32)%	0%	(32)%
Search and news advertising revenue excluding traffic acquisition costs	10%	(1)%	9%

We present constant currency information to provide a framework for assessing how our underlying businesses performed excluding the effect of foreign currency rate fluctuations. To present this information, current and comparative prior period results for entities reporting in currencies other than United States dollars are converted into United States dollars using the average exchange rates from the comparative period rather than the actual exchange rates in effect during the respective periods. The non-GAAP financial measures presented should not be considered as a substitute for, or superior to, the measures of financial performance prepared in accordance with GAAP. All growth comparisons relate to the corresponding period in the last fiscal year.

Cash Flow Reconciliation

Three Months Ended December 31,

(\$ in millions)	2025	2024	Percentage Change Y/Y
Net Cash from Operations (GAAP)	\$35,758	\$22,291	60%
Additions to Property and Equipment	\$(29,876)	\$(15,804)	*
Free Cash Flow	\$5,882	\$6,487	(9)%

*Not meaningful.

Free cash flow is included as an additional clarifying item to aid investors by providing additional insight into our operational performance and help clarify trends affecting our business. This non-GAAP financial measure should not be considered as a substitute for, or superior to, the measures of financial performance prepared in accordance with GAAP.

